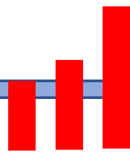

Economics Made Easy

What is productivity?

The Bureau of Labor Statistics (BLS) calculates productivity to help provide information on the status of the economy. Productivity is the amount of output a worker or company produces per input used. **Outputs**, such as the value of cars sold in a year, can be consumed directly or sold to other businesses. Examples of **inputs** are the time people spend working, machinery and buildings, and the fuel and electricity needed to make the goods and services. To make a car, inputs could be workers, parts, machines, and electricity. Productivity can be increased by increasing the number of outputs per input, decreasing the number of inputs needed per output, or a combination of both.

Glossary

Outputs — all the goods and services made in a certain period.

Inputs — all the materials used to make goods and services.

Did you know?

BLS always measures inputs and outputs by their dollar value, so we can compare very different items like seeds, gasoline, and workers' wages with the same unit of measurement.

Increased productivity leads to increased profits. Increased profits could be paid to workers as higher wages, put back into the business to make the business better, paid to the owners of the business, or given to consumers in the form of lower prices.